

Market snapshot

	curr.*	Jun-17	Sep-17	Dec-17
Poland				
EUR/PLN	4.244	4.35	4.30	4.25
Key rate	1.50	1.50	1.50	1.50
10y bond	3.4	3.9	4.2	4.3
Hungary				
EUR/HUF	313.0	315	310	315
Key rate	0.90	0.90	0.90	0.90
10y bond	3.4	3.8	4.1	4.3
Czech Republic				
EUR/CZK	26.70	26.0	26.5	25.9
Key rate	0.05	0.05	0.05	0.05
10y bond	1.1	1.0	1.2	1.3
Romania				
EUR/RON	4.522	4.50	4.45	4.45
Key rate	1.75	1.75	1.75	1.75
10y bond	3.8	4.3	4.4	4.7
Croatia				
EUR/HRK	7.430	7.40	7.45	7.50
Key rate	2.50	2.50	2.50	2.50
10y bond	3.0	2.7	2.7	2.7
Russia				
USD/RUB	56.27	60.0	60.0	62.0
Key rate	9.75	9.50	9.00	9.00
10y bond	8.0	8.7	8.5	8.4
Turkey				
USD/TRY	3.665	3.90	3.80	4.10
Key rate	8.00	8.00	8.00	10.00
10y bond	10.7	11.5	11.7	11.0
EUR/USD	1.063	1.03	1.02	1.02

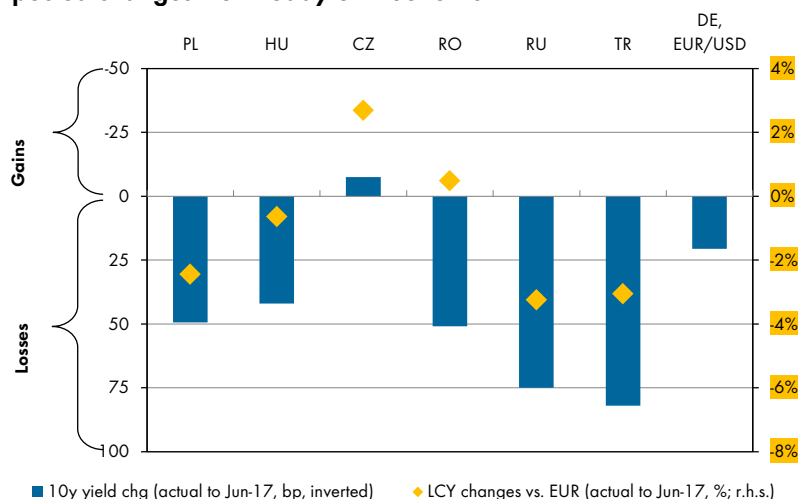
* prices as of 13 April 2017, 11:59 p.m. CEST
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

Despite a rise in global volatility indices and geopolitical tensions following the events in Syria the CEE markets saw a rather calm week. The controversy between Russia and the US thereby only led to a small impact on Russian markets, but underscored our take that the Trump administration would not end sanctions against Russia. RUB remained on the stronger side, also contributing to speculation about replenishing of FX reserves and the speed of its tightening cycle following lower inflation rates. OFZ issuance went also well with RUONIA-linked papers still well-bid at this week's auctions. After last week's CZKexit, the koruna did not show any significant appreciation. Thereby speculators are moving the CZK FX market rather than economic data, something that is bound to continue given the immense inflow of speculative capital prior to the abandoning. With an already constrained situation remaining in Ukraine the announcement of Central Bank governor Gontaryeva's resignation should increase risks even further. Nevertheless, somewhat surprisingly authorities at the rate setting meeting this week decided to cut the interest rate further from 14% to 13% on supportive inflation developments. In Turkey the vote on the presidential system on Sunday (16 April) will be closely watched. KONDA – a Turkish Pollster – suggested that the race is still very close according to the results from the April 7-9 poll: 'Yes votes' were leading with 51.5%, while 'No votes' were at 48.5% with a margin of error at +/- 2.4pp. The poll did not point to a clear picture but rather hinted an unpredictable situation. Whereas a 'yes' vote could give some short-term support to Turkish lira markets the overall situation for Turkey remains tense. A 'no' vote could intensify the already weak conditions as President Erdogan would in our view not give up on his aim to implement a presidential system. Whereas from a CEE data perspective the next week should be rather calm, the upcoming first round of presidential elections in France (23 April) could cast its shadow on local financial markets.

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Expected changes from today until June 2017



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
19-Apr	SK: CPI, % yoy	Mar	n.a.	1.5	1.3	1.1	1.3
19-Apr	RU: Retail sales, % yoy	Mar	n.a.	0.6	-1.7	-4.5	-2.6
20-Apr	PL: Industrial output, % yoy	Mar	8.1	9.5	7.4	1.4	1.2
20-Apr	PL: Retail sales, % yoy	Mar	8.4	12.3	8.6	3.7	7.3

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Data calendar and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Previous	Indicator	Period	Forecast	High	Mean	Low	Previous
Friday 07 April					Friday 14 April						
HR: Trade balance, EUR mn	Jan	-368	-442	-592	HR: CPI, % yoy	Mar	1.4	n.a.	n.a.	n.a.	1.4
UA: CPI, % yoy	Mar	15.1	14.2	14.2	Monday 17 April						
Monday 10 April					TR: Unemployment rate, % yoy	Jan	n.a.	13.6	13.1	12.9	12.7
RO: Trade balance, EUR mn	Feb	-652	n.a.	-602	BY: Industrial output, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	0.3
CZ: CPI, % yoy	Mar	2.6	2.6	2.5	Tuesday 18 April						
TR: Industrial output, % yoy	Feb	1.0	n.a.	2.6	BY: Retail sales, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	-3.7
CZ: Unemployment rate, % yoy	Mar	4.8	4.9	4.9	Wednesday 19 April						
BG: Industrial output, % yoy	Feb	5.0	n.a.	-1.2	SK: CPI, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	1.3
BG: Retail sales, % yoy	Feb	3.8	n.a.	4.0	PL: Gross wages, % yoy	Mar	4.2	5.6	4.3	2.9	4.0
SI: Industrial output, % yoy	Feb	7.4	n.a.	3.3	PL: Employment rate, % yoy	Mar	4.5	4.9	4.6	3.6	4.6
HR: Retail sales, % yoy	Feb	5.7	n.a.	5.7	RU: Unemployment rate, % yoy	Mar	n.a.	5.7	5.6	5.3	5.6
Tuesday 11 April					RU: Real wages, % yoy	Mar	n.a.	3.8	2.0	0.5	1.3
RO: Industrial output, % yoy	Feb	5.5	n.a.	5.5	RU: Retail sales, % yoy	Mar	n.a.	0.6	-1.7	-4.5	-2.6
RO: CPI, % yoy	Mar	0.2	0.3	0.2	Thursday 20 April						
HU: CPI, % yoy	Mar	2.7	3.1	2.9	PL: Industrial output, % yoy	Mar	8.1	9.5	7.4	1.4	1.2
SK: Industrial output, % yoy	Feb	2.6	n.a.	7.6	PL: Retail sales, % yoy	Mar	8.4	12.3	8.6	3.7	7.3
TR: C/A balance, USD bn	Feb	-2.5	n.a.	-2.8	UA: Retail sales, % yoy	Mar	n.a.	1.5	1.4	0.4	0.5
RS: Key rate, %	Apr	4.00	n.a.	4.00	SK: Unemployment rate, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	8.4
PL: CPI, % yoy	Mar	2.0	2.0	2.0	Friday 21 April						
RU: C/A balance, USD mn	Q1	22,800	n.a.	10124.0	HR: Unemployment rate, % yoy	Mar	14.3	n.a.	n.a.	n.a.	15.3
RU: Trade balance, USD bn	Feb	10.2	n.a.	11.4	UA: Industrial output, % yoy	Mar	n.a.	-0.2	-2.1	-5.0	-4.6
BY: CPI, % yoy	Mar	6.4	8.0	7.0							
Wednesday 12 April											
BG: CPI, % yoy	Mar	1.9	n.a.	1.7							
RS: CPI, % yoy	Mar	3.6	n.a.	3.2							
RU: Budget balance, % yoy	Mar	-274	n.a.	-148							
Thursday 13 April											
SK: CPI, % yoy	Mar	1.0	n.a.	1.2							
CZ: C/A balance, CZK bn	Feb	28.2	28.0	29.4							
UA: Key rate, %	Apr	13.0	14.0	14.0							
PL: C/A balance, EUR mn	Feb	-860	-423	2,457							
PL: Trade balance, EUR mn	Feb	-537	-133	225							
RO: C/A balance, EUR mn	Feb	204	n.a.	416							

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Albania (AL) – Getting closer to general elections the political situation remains unresolved. The opposition continues the boycott of the parliament asking for a technical government to take care of free and fair general elections, blocking at the same time the implementation of the reform in the judiciary system. So far the majority has approved three representatives of the parliamentary commission that will examine the new members of the new justice institutions, nevertheless, the rest of three representatives must come from the opposition which doesn't seem interested. For Albania the implementation of the reform in justice is the key to open the negotiation process for EU integration progress. Besides the general elections, Albania is in the eve of the president election. Next week the first round of the process will be held. After leader of LSI Party spoke for a "trust" government to take care of elections, it is not clear if they will be together in a coalition for the upcoming elections. Taking in consideration dynamics within the ruling coalition and the opposition request for a technocrat government, it is not quite clear if the general elections will be held on 18 June or be postponed to later. The unclear political situation could negatively affect the economic sentiment indicator that is expected to be released in the following days.

Financial analyst: Valbona Gjeka (+355 42 381 000 2714), Raiffeisen Bank Sh.a., Tirana

Bosnia a. H. (BA) – Last week, the State Agency for Statists (BHAS) and the Central Bank of B&H (CBBH) released several important macroeconomic figures for the previous year. According to preliminary BHAS data, the real GDP increased by 2.6% yoy in Q4 2016, marking the strongest quarterly reading in 2016. Almost all GDP categories displayed positive readings in Q4. Only a few areas recorded negative changes yoy, namely construction (-2.8% yoy) and wholesale/retail trade & transportation & accommodation (-2.8% yoy). As expected, the strongest positive contribution to GDP growth in Q4 2016 came from industrial production (5.7% yoy), financial & insurance activities (8.9% yoy) and agriculture (5.6% yoy). Looking at the full year results, real GDP grew by 2.0% yoy, which is 50 bp below our target rate of 2.5% yoy. But as long as the BHAS has not published the final annual GDP figures (which will be harmonized, indicating GDP growth at B&H level of 3.1% yoy in real terms), we see no reason to change our target rate of 2.5% for 2016. According to balance of payments data for the full year of 2016 released by the CBBH, the current account deficit totalled BAM 1.3 bn or 4.5% of GDP, which is significantly lower than expected. The financial account showed that net inflow of foreign direct investments amounted to BAM 0.48 bn or 1.5% of GDP, which is fully in line with our expectations.

Financial analyst: Srebrenko Fatusic (+387 33 287 916), Raiffeisen BANK d.d., Sarajevo

Croatia (HR) – In the upcoming shorter holiday week market participants will retain focus on Agrokor, while in the macroeconomic field the CBS will publish the labor market data.

In line with the usual seasonal movements, we expect the declining trend in unemployment and the increasing one in wages to be confirmed. Wage growth in February particularly applies to net salary, which predominantly resulted from changes in the taxation of income, and in part it will be offset by the positive inflation rate. The March registered unemployment rate is projected to fall from 15.3% in February to 14.3%.

The upcoming report on the Excessive Deficit Procedure (EDP), scheduled for Thursday, is expected to confirm the CNB data on total public debt for the end of 2016 (HRK 289.1 bn or 84.2% of GDP). The 2016 consolidated general government deficit could amount to about 1.5% of GDP (according to ESA 2010), primarily as the result of stronger rationalization on the expenditure side and solid inflows to the state budget mainly generated by the record figures in tourism.

Financial analyst: Elizabeta Sabolek Resanovic (+385 1 4695 099), Raiffeisenbank Austria d.d., Zagreb

Czech Republic (CZ) – Since the Czech National bank abandoned the FX commitment last Thursday, the Czech koruna appreciated by approximately 1.1%. Since then, we have observed only moderate volatility of the Czech currency. However, volumes traded on the CZK FX market are still quite low. In the near future, we expect the Czech currency exchange rate to be determined by speculators rather than by the actual economy, and thus the movement of the CZK will be quite unpredictable. This week, the governor of the CNB, J. Rusnok, stated that the CNB has not intervened in the international market after removing the FX cap, and we should not expect the CNB to intervene unless the volatility is higher than 5%. By the end of the year, we expect the Czech koruna to appreciate towards EUR/CZK 26.0.

Financial analyst: Monika Junicke (+420 234 40 1070), Raiffeisenbank a.s., Prague

Hungary (HU) – Hungary's Government Debt Management Agency (ÁKK) sold a combined HUF 56.5 bn of 3-, 5- and 15-year fixed rate bonds at an auction yesterday, HUF 11.5 bn more than planned on strong demand. Aggregate bid to cover ratio was 3.45. The ÁKK sold HUF 18 bn of three-year bonds, as planned. Primary dealers bid for HUF 75.2 bn of the papers. The average yield was 1.03%, 3bp under the secondary market benchmark and 10bp lower than the yield at the previous auction of the bonds two weeks earlier. The ÁKK raised its offer for five-year bonds by HUF 5.5 bn to HUF 20.5 bn after bids reached HUF 70.8 bn. The average yield was 2.04%, 6bp under the benchmark and 12bp lower than at the auction two weeks earlier. The ÁKK sold HUF 18 bn of ten-year bonds, HUF 6 bn more than it originally offered. Bids came to HUF 49.1 bn. The average yield was 3.24%, 6bp under the benchmark, and 23bp lower than the yield at the previous auction.

Financial analyst: Gergely Pálffy (+36 1 484 43 13), Raiffeisen Bank Zrt., Budapest

Poland (PL) – The core inflation in March increased 0.3 pp and amounted to 0.6% yoy, indicating the rising demand pressure in the economy. However, it may also reflect the low base effect for category 'Culture' observed in the last CPI reading. Meanwhile, the headline inflation was confirmed at 2.0% yoy. The decline in the annual CPI rate from 2.2% yoy in February was mainly due to the food prices. As expected, both export and import dynamics followed the industrial output slowdown observed in February and performed definitely worse than in January. Export grew by 3.8% yoy, while import dynamics amounted to 9.0% yoy. Coming week will provide us with some indicators from the real economy. Data on labor market will be published on Wednesday and may show employment growth by 4.5% yoy, with wages growing by 4.2% yoy. Both industrial output and retail sales, supported this time by the positive calendar effect, should increase to approx. 8% yoy. We believe that the construction output will note a positive reading for the second time this year.

Financial analyst: Aleksandra Pikala (+48 22 585 2000), Raiffeisen Polbank, Warsaw

Romania (RO) – Consumer prices inched up marginally in March, by 0.1% mom, slightly below our expectations (0.2% mom). Annual inflation rate remained unchanged at 0.2% yoy. Monthly inflation rate in March was fuelled by several transitory factors as leu depreciation and seasonal increases in some prices. Otherwise, underlying inflationary pressures remained contained in March, as CORE 3 inflation rate (CPI excluding administered prices, volatile prices of fuels and foods, tobacco and alcohol) went up only by 0.16% mom and leu depreciation had some positive contribution to this dynamic. We expect the annual inflation rate to continue on an upward trend in the following period, coming at 1.7% end-2017 and jumping to 2.7% in Q1 2018.

On 7 April, S&P reaffirmed the rating BBB- for FCY long term debt issued by Romania, with stable outlook. The communiqué released by the agency was rather neutral. On 21 April, a rating revision from Moody's is scheduled. Currently, the rating for FCY long term debt issued by Romania is Baa3 with positive outlook. Given the risks of fiscal slippages that Romania is facing, a revision of the outlook to stable should not be excluded.

The ruling coalition formed of PSD and ALDE finalized a law bill regulating wages in the public sector which would result in significant wage hikes in the upcoming years (2018-2022), being intended to be approved until end-June.

Financial analyst: Silvia Maria Rosca (+40 799 718 083), Raiffeisen BANK S.A., Bucharest

Russia (RU) – Earlier this week, the CBR published its preliminary estimates of the balance of payments in Q1 2017. Given that the current account for the quarter reached USD 22.8 bn we estimate that in March alone it amounted to USD 8.7 bn (USD 5.5 bn and USD 8.6 bn in February and January, respectively). Despite a decline in the average oil price from USD 56 per bbl to USD 52.5 per bbl in March there was a material improvement in the trade balance (USD 12.1 bn vs USD 9.9 bn in February) which was due to untypically low imports (in RUB terms to GDP). At the same time, we do not think that there has been any significant imports substitution and it is likely

to recover in the coming months (some companies could have decided to postpone their capex). Low imports could also be explained by still weak economic conditions as GDP growth is driven by the inventories cycle while consumption and investments are yet to recover. If the average oil price and USD/RUB rate remain at the levels of USD 54.6 per bbl and USD/RUB 57-58 we estimate that the current account could amount to USD 30-35 bn for the whole year, or USD 7-12 bn for the remaining 9M which is not enough to compensate for Minfin's FX purchases (USD 11 bn) and external debt repayment by the banks (USD 8 bn, our estimate). Thus we expect negative pressure on the Russian rouble from these fundamental factors.

Financial analyst: Denis Poryvay (+7 495 221 9843), AO Raiffeisenbank, Moscow

Monetary policy and money markets overview

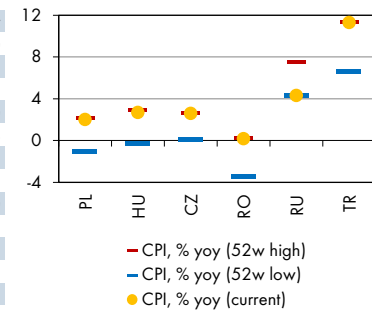
CEE key interest and money markets outlook

	current*	Jun-17	Sep-17	Dec-17	5y high	5y low
Poland						
Key interest rate	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate	1.73	1.73	1.73	1.73	5.14	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	7.00	0.90
3m money market rate**	0.16	0.30	0.40	0.50	7.25	0.16
Czech Republic						
Key interest rate	0.05	0.05	0.05	0.05	0.75	0.05
3m money market rate	0.29	0.30	0.30	0.35	1.25	0.00
Romania						
Key interest rate	1.75	1.75	1.75	1.75	5.25	1.75
3m money market rate	0.86	1.00	1.15	1.55	6.30	0.68
Russia						
Key interest rate	9.75	9.50	9.00	9.00	17.00	5.25
3m money market rate	10.14	10.00	9.50	9.50	29.93	6.73
Serbia						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.53	3.60	3.60	3.60	13.13	3.26
Turkey						
Key interest rate	8.00	8.00	8.00	10.00	10.00	4.50
3m money market rate	12.54	12.50	12.70	11.50	12.55	4.85

Benchmark key rates	current	Jun-17	Sep-17	Dec-17	5y high	5y low
ECB key interest rate	0.00	0.00	0.00	0.00	1.00	0.00
Fed key interest rate	1.00	1.25	1.50	1.75	1.00	0.25

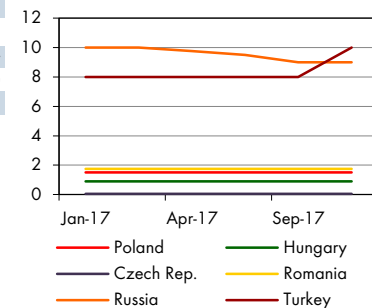
Source: Bloomberg, RBI/Raiffeisen RESEARCH
 * Bid rates (for Hungary ask rates) as of 13 April 2017, 11:59 p.m. CEST
 ** under revision

Inflation snapshot



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP) NBP assumes to have seen a peak in CPI inflation and expects the headline rate to stabilise at below-target levels in the upcoming period. This is in line with our call, but we tend to believe that they will finally not tolerate a protracted period of negative real rates and will start tightening monetary conditions in 2018.

Hungary (MNB) The latest MNB decision to lower the 3m deposit cap more than expected and to introduce 6m and 12m swaps (in addition to the 3m instrument) add liquidity to the system anew. Against this backdrop, longer-term money market rates are also set to remain depressed for longer, so we put our forecasts under revision.

Czech Republic (CNB) Czech authorities are still not intervening in the local FX market following the CZKexit last week. Hitherto, the response on CZK markets is moderate. We assume that the bank will intervene only in case of excess volatility and possibly on both sides until EUR/CZK finds a new equilibrium. Nevertheless, with inflation set to moderate going forward and CZK appreciation to get more pronounced, rate hikes are not in sight.

Romania (BNR) Romanian rate setters made no attempts to hint at tighter liquidity conditions in their latest communiqué. However, with fiscal risks continuing to rise we expect that they will have to end procyclical policies in H2 2017. Only after liquidity tightening happens forcefully, rate hikes could start as early as 2018.

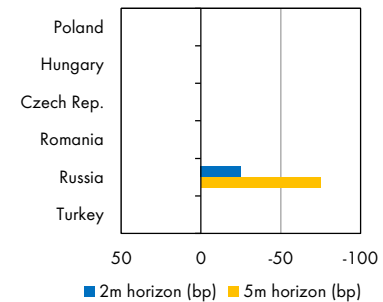
Serbia (NBS) NBS to maintain neutral MP stance despite latest rise in CPU headline inflation. As the rate differential versus core markets remains sufficient in our view we expect a stable base rate on our entire forecast horizon.

Russia (CBR) CBR cut rates by 25bp in March - earlier than anticipated. We keep our 9% projection for year-end by now (with 3 times -25bp during 6 MPC meetings), although risk for a swifter easing cycle increased due to faster-than-expected disinflation. At the same time, deteriorating US-Russia relations could counterbalance this.

Turkey (TCMB) TCMB continued tightening liquidity in line with surging inflation. Whilst this lends ongoing support to TRY markets, the bank is increasingly hitting its limits to tighten conditions further. We assume that they hope for a yes vote at the 16 April referendum with the removal of this uncertainty factor likely to ease pressure on lira markets.

Source: RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	Apr	May
Poland (NBP)	5	12
Hungary (MNB)	25	23
Czech Republic (CNB)	/	4
Romania (BNR)	5	5
Serbia (NBS)	11	12
Russia (CBR)	28	/
Turkey (TCMB)	26	/

Source: National Central Banks, RBI/Raiffeisen RESEARCH

Foreign exchange market overview

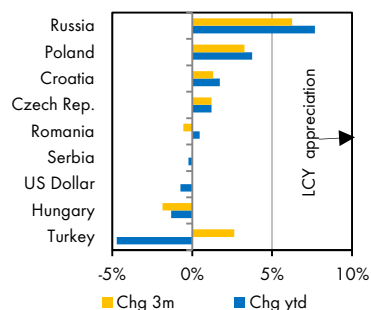
FX forecasts

EUR vs	current*	Jun-17	Sep-17	Dec-17	5y high	5y low	Comment
PLN	4.244	4.35	4.30	4.25	4.40	4.08	Following the appreciation trend that moved EUR/PLN from 4.50 end of 2016 towards 4.20 on better economic data, the zloty is expected to continue retreating towards 4.30 again
HUF	313.0	315	310	315	316	291	Forint re-entered the 310-315 trading range to the euro, we expect it to remain in the aforementioned trading range for the coming months
CZK	26.70	26.0	26.5	25.9	27.7	25.1	CNB ended the FX commitment, limited appreciation visible in CZK due to large stock of speculative capital; appreciation trend expected to be slow with elevated volatility
RON	4.522	4.50	4.45	4.45	4.54	4.45	Following some budget induced uncertainties EUR/RON is moving back towards 4.50
HRK	7.430	7.40	7.45	7.50	7.66	7.50	Next week we see EUR/HRK trading in range between 7.42-7.45 kuna per euro with developments regarding Agrokor still in focus
RSD	123.7	123	124	125	125	112	Presidential elections leaving EUR/RSD unfazed
RUB	59.80	61.8	61.2	63.2	79.3	40.3	see USD/RUB below
UAH	28.53	27.8	27.5	28.6	28.6	10.6	see USD/UAH below
BYN	2.001	2.09	2.18	2.28	2.28	1.13	see USD/BYN below
TRY	3.894	4.02	3.88	4.18	4.18	2.35	see USD/TRY below
USD	1.063	1.03	1.02	1.02	1.38	1.02	With continued US Fed rate hike expectations we project USD strengthening that could put some pressure on CEE currencies

USD vs	current*	Jun-17	Sep-17	Dec-17	5y high	5y low	Comment
RUB	56.27	60.0	60.0	62.0	73.0	30.5	RUB remains on the strong side against the USD; CPI nearing in on CBR target range could feed additional rate cut speculation
UAH	26.85	27.0	27.0	28.0	28.0	8.05	Uncertainties over IMF program and the situation in Donbas could weigh on UAH; resignation of central bank governor additional negative; administrative measures of central bank prevent UAH depreciation
BYN	1.883	2.03	2.14	2.24	2.24	0.86	Despite BYN stability over recent months we remain with our cautious outlook given fundamental weaknesses
TRY	3.665	3.90	3.80	4.10	4.10	1.78	Vote on implementation of presidential system (16 April) unlikely to bring an end to TRY volatility; we remain negative on the lira even though a 'yes' vote could bring short-term support

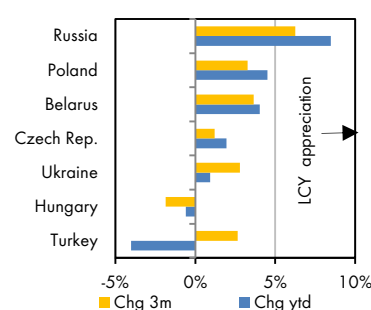
* as of 13 April 2017, 11:59 p.m. CEST
 Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



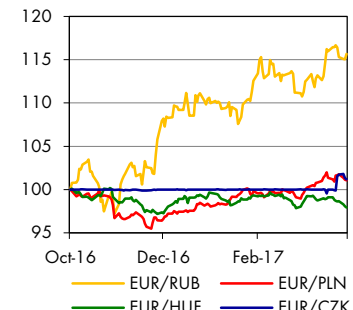
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

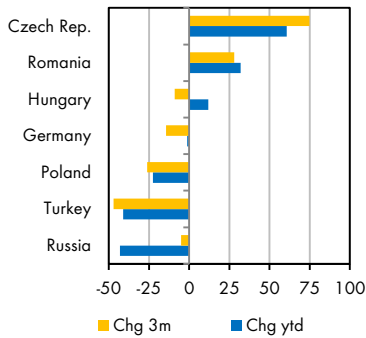
Exchange rate comparison



Indexed 13 Oct-16 = 100
 Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

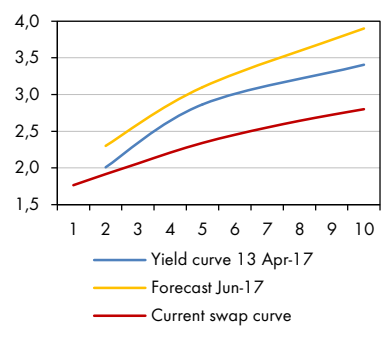
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



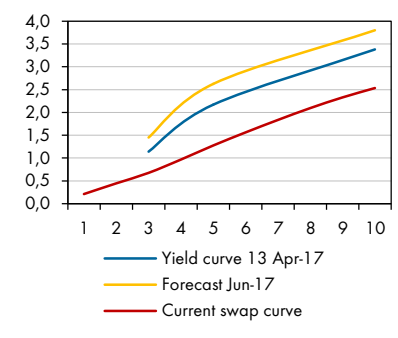
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



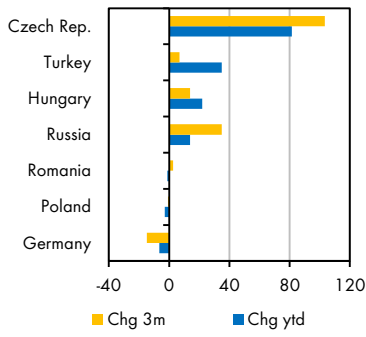
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



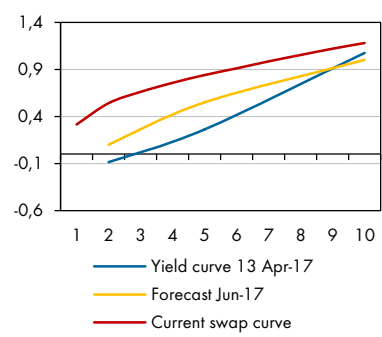
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



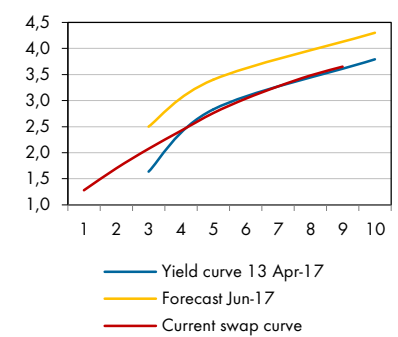
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



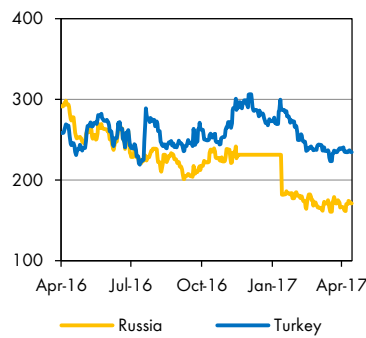
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



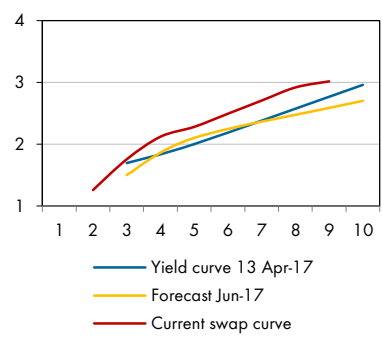
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



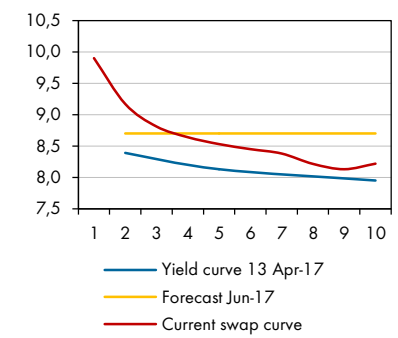
Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Yield forecasts

2y T-bond yields (%)							10y T-bond yields (%)						
	current*	Jun-17	Sep-17	Dec-17	5y high	5y low		current*	Jun-17	Sep-17	Dec-17	5y high	5y low
Poland	2.01	2.3	2.4	2.4	3.1	1.6	Poland	3.41	3.9	4.2	4.3	4.3	2.5
Hungary **	1.14	1.5	1.6	1.7	5.7	0.9	Hungary	3.38	3.8	4.1	4.3	6.2	3.3
Czech Republic	-0.09	0.1	0.1	0.1	0.5	-0.9	Czech Republic	1.08	1.0	1.2	1.3	2.5	0.5
Romania	1.64	2.0	2.1	2.4	6.4	1.5	Romania	3.79	4.3	4.4	4.7	6.9	3.5
Croatia	1.69	1.5	1.5	1.6	4.4	0.9	Croatia	2.96	2.7	2.7	2.7	5.2	2.7
Russia	8.39	8.7	8.5	8.3	15.8	6.2	Russia	7.95	8.7	8.5	8.4	14.1	6.9
Turkey	11.05	11.7	11.7	10.9	11.0	6.1	Turkey	10.68	11.5	11.7	11.0	11.1	6.6
Germany	-0.87	-0.8	-0.7	-0.7	0.2	-0.8	Germany	0.19	0.4	0.6	0.8	1.9	0.1
USA	1.20	1.5	1.8	1.9	1.9	0.2	USA	2.23	2.6	2.9	3.0	3.0	1.8

* Bid yields as of 13 April 2017, 11:59 p.m. CEST; ** 3y yield
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/04/2019	0.00	96.10	1.99	285	2.0	As expected, the fading of the reflation trade lent ongoing support to POLGBs during the outgoing week, especially following the confirmation of lower-than-expected inflation in March. We continue to see the risks of substantially rising POLGB yields contained.
PLN 5y Gov. Bond	25/04/2022	2.25	97.21	2.85	337	4.7	
PLN 10y Gov. Bond	25/07/2027	2.50	92.38	3.39	320	9.0	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	99.73	1.08	188	3.4	HUF government bonds remain well bid with ultra-loose monetary conditions inflicting larger pressure on domestic investors to go "long" even longer-maturity HGBs. The recent liquidity injections in tandem with the new swap facilities are HGB-supportive.
HUF 5y Gov. Bond	26/10/2022	1.75	98.19	2.10	262	5.3	
HUF 10y Gov. Bond	27/10/2027	3.00	97.36	3.30	311	9.0	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	110.08	-0.09	77	1.9	During the first trading week after CZKexit, CZGBs recouped some of their initial losses, easing the bearish flattening of the treasury curve. In terms of our recommendations, we stay long backend CZGBs until more pronounced CZK gains materialise.
CZK 5y Gov. Bond	29/09/2021	3.85	116.28	0.17	69	4.1	
CZK 10y Gov. Bond	26/06/2026	1.00	100.60	0.93	74	8.8	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	105.12	1.03	155	1.2	Continued uncertainty on the domestic market is expected, where the majority of investors will keep an eye on news related to Agrokor in the hope of stabilization on the market.
HRK 10y Gov. Bond	14/12/2026	4.25	110.02	3.04	286	8.1	
Romania							
RON 2y Gov. Bond	29/04/2019	2.50	101.78	1.60	240	2.0	ROMGBs also benefitted from the overall favorable EM sentiment in recent times, but we would expect a rising credit risk premium due again increasing fiscal risks. Whilst we maintain our Hold recommendation, ROMGBs are expected to underperform regional peers.
RON 5y Gov. Bond	08/03/2022	3.40	102.70	2.80	332	4.6	
RON 10y Gov. Bond	26/07/2027	5.80	115.99	3.88	369	7.9	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	98.75	8.40	926	1.8	OFZs shrugged-off geopolitical tensions and remained well bid amid favorable EM sentiment and restarted CBR rate cuts. Further deterioration in US-Russia relations has the potential to dent non-resident investors' euphoria, though.
RUB 5y Gov. Bond	18/08/2021	7.50	98.26	8.14	866	3.7	
RUB 10y Gov. Bond	03/02/2027	8.15	102.45	7.94	775	7.0	
Turkey							
TRY 2y Gov. Bond	11/07/2018	8.70	n.a.	n.a.	n.a.	n.a.	In line with global EMs, TURKGBs also felt modest relief with tight local monetary conditions continuing to support TRY markets. A positive referendum outcome could provide an opportunistic window to tactically re-entering the TURKGB market.
TRY 5y Gov. Bond	02/03/2022	11.00	100.65	10.82	1134	4.0	
TRY 10y Gov. Bond	24/02/2027	11.00	n.a.	10.76	1057	6.4	

Data as of 14 April 2017, 10:18 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

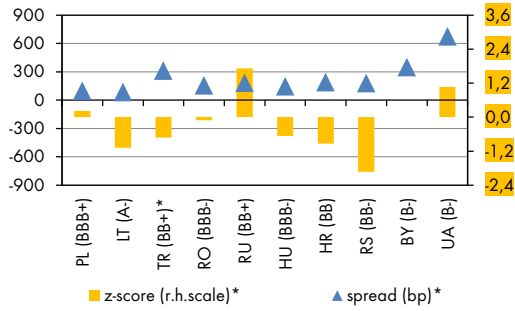
Bond auctions

	ISIN	Coupon	Maturity	Volume
18 April				
KO		2y T-bond	n.a.	n.a.
20 April				
RO	RO1620DBN017	2.25%	26.02.2020	RON 600 mn
HU		T-bonds	n.a.	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

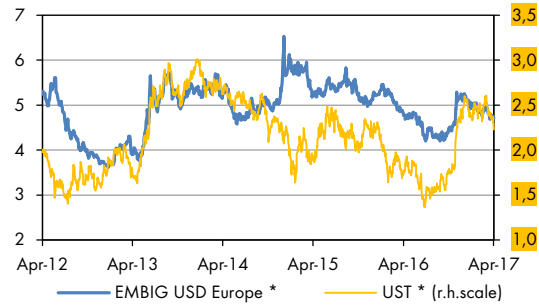
Eurobond market overview

CEE USD EMBIG spread valuation*



* z-score – EMBIG USD country spread deviation from mean normalised by 1 standard deviation, score at or below minus 1 = expensive, at or above 1 = cheap
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CEE EMBIG USD vs. UST YTM*



* YTM – yield to maturity EMBI Global USD, UST – 10 year US Treasury note
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Issuer/rate/due	Market Price			YTM mid.		Spread	Mdur.	ISIN	
	Bid	Ask	w/w %	5y max	5y min	% p. a. Bmk, bp	years		
EUR									
BGARIA 4 1/4 07/09/17	101.0	101.3	-0.05	111.8	100.3	-0.89	-32	0.2	XS0802005289
CROATI 5 7/8 07/09/18	107.0	107.3	-0.06	112.1	97.2	0.04	64	1.2	XS0645940288
REPHUN 3 7/8 02/24/20	110.5	111.0	0.00	113.1	74.9	0.10	89	2.7	XS0212993678
REPHUN 4 3/8 07/04/17	101.0	101.2	-0.15	108.0	83.8	-0.75	-18	0.2	XS0284810719
REPHUN 5 3/4 06/11/18	107.0	107.3	-0.09	115.1	86.3	-0.46	12	1.1	XS0369470397
REPHUN 6 01/11/19	110.8	110.9	0.00	118.4	86.4	-0.23	56	1.7	XS0625388136
LITHUN 4.85 02/07/18	104.3	104.7	-0.03	114.3	100.4	-0.69	-18	0.8	XS0327304001
POLAND 5 5/8 06/20/18	106.9	107.0	-0.22	122.6	102.1	-0.30	29	1.1	XS0371500611
POLAND 1 5/8 01/15/19	102.9	103.3	0.00	105.5	98.0	-0.13	66	1.7	XS0874841066
POLAND 3 3/4 01/19/23	117.8	118.5	0.00	125.5	99.9	0.54	96	5.3	XS0794399674
POLAND 3 3/8 07/09/24	117.0	117.2	0.06	125.6	99.6	0.92	114	6.4	XS0841073793
ROMANI 4 7/8 11/07/19	111.9	112.3	-0.04	117.8	99.3	0.13	94	2.4	XS0852474336
TURKEY 5 7/8 04/02/19	109.4	109.7	-0.02	118.9	106.8	0.91	175	1.9	XS0285127329
TURKEY 5 1/8 05/18/20	109.8	110.1	0.05	115.9	101.5	1.78	256	2.8	XS0503454166
USD									
BELRUS 8.95 01/26/18	103.5	104.1	0.12	111.2	78.0	3.89	291	0.7	XS0583616239
CROATI 6 3/8 03/24/21	110.9	111.3	0.20	117.8	91.7	3.33	175	3.5	XS0607904264
CROATI 5 1/2 04/04/23	108.9	109.4	0.08	111.7	94.4	3.77	186	5.1	XS0908769887
REPHUN 5 3/8 02/21/23	111.0	111.8	0.56	115.6	93.5	3.22	133	5.0	US445545AH91
REPHUN 7 5/8 03/29/41	148.0	149.3	0.9	158.1	87.4	4.34	164	13.2	US445545AF36
LITHUN 7 3/8 02/11/20	114.1	114.4	0.07	130.7	112.8	2.14	76	2.5	XS0485991417
LITHUN 6 5/8 02/01/22	117.7	118.1	0.12	128.6	107.4	2.63	89	4.1	XS0739988086
LATVIA 2 3/4 01/12/20	101.3	101.7	-0.06	104.5	91.4	2.18	82	2.6	XS0863522149
LATVIA 5 1/4 06/16/21	111.0	111.5	-0.01	117.2	96.0	2.40	78	3.7	XS0638326263
POLAND 6 3/8 07/15/19	109.6	110.1	0.07	125.9	109.7	1.85	59	2.1	US731011AR30
POLAND 3 03/17/23	100.0	100.4	0.0	105.4	87.9	2.96	106	5.4	US731011AT95
ROMANI 6 3/4 02/07/22	116.1	116.4	-0.04	123.7	99.1	3.08	134	4.1	US77586TAA43
ROMANI 4 3/8 08/22/23	105.9	106.3	0.00	111.2	90.6	3.30	134	5.5	US77586TAC09
RUSSIA 4 1/2 04/04/22	106.4	106.9	-0.11	114.7	82.0	3.05	128	4.4	XS0767472458
RUSSIA 7 1/2 03/31/30	119.9	120.9	-0.14	128.6	99.6	2.41	7	3.9	XS0114288789
RUSSIA 5 5/8 04/04/42	110.2	110.9	-0.15	124.9	76.0	4.89	216	13.9	XS0767473852
SERBIA 5 1/4 11/21/17	101.9	102.1	-0.04	107.1	96.8	1.84	89	0.6	XS0856951263
SERBIA 4 7/8 02/25/20	104.0	104.4	-0.05	105.4	89.6	3.31	192	2.6	XS0893103852
TURKEY 6 1/4 09/26/22	107.8	108.3	0.47	127.0	102.5	4.56	272	4.6	US900123BZ27
TURKEY 6 7/8 03/17/36	110.4	110.9	0.70	139.6	99.2	5.93	339	10.9	US900123AY60
TURKEY 6 3/4 05/30/40	109.1	109.8	0.79	139.4	97.3	5.99	332	11.8	US900123BG46
UKRAIN 7 3/4 09/01/19	101.3	101.6	-0.16	102.3	90.4	7.07	579	2.1	XS1303918269
UKRAIN 7 3/4 09/01/23	94.8	95.3	0.16	100.1	90.9	8.79	682	4.8	XS1303921487
UKRAIN 7 3/4 09/01/27	91.5	92.0	-0.27	98.8	88.7	8.99	673	6.8	XS1303927179

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 14 Apr 2017, 9:28 AM CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Summary: Ratings & macro data

Country ratings: CE, SEE, EE

	LCY	S&P FCY	Outlook	LCY	Moody's FCY	Outlook	LCY	Fitch FCY	Outlook
CE									
Poland	A-	BBB+	stable	A2	A2	negative	A	A-	stable
Hungary	BBB-	BBB-	stable	Baa3	Baa3	stable	BBB-	BBB-	stable
Czech Republic	AA	AA-	stable	A1	A1	stable	AA-	A+	stable
Slovakia *	A+	A+	stable	A2	A2	positive	A+	A+	stable
Slovenia *	A	A	positive	Baa3	Baa3	positive	A-	A-	stable
SEE									
Romania	BBB-	BBB-	stable	Baa3	Baa3	positive	BBB	BBB-	stable
Bulgaria	BB+	BB+	stable	Baa2	Baa2	stable	BBB	BBB-	stable
Croatia	BB	BB	stable	Ba2	Ba2	stable	BB+	BB	stable
Serbia	BB-	BB-	positive	Ba3	Ba3	stable	BB-	BB-	stable
EE									
Russia	BBB-	BB+	positive	Ba1	Ba1	stable	BBB-	BBB-	stable
Ukraine	B-	B-	stable	Caa3	Caa3	stable	B-	B-	stable
Belarus	B-	B-	stable	Caa1	Caa1	stable	B-	B-	stable
Kazakhstan	BBB-	BBB-	negative	Baa3	Baa3	negative	BBB	BBB	stable
Turkey	BB+	BB	negative	Ba1	Ba1	negative	BBB-	BB+	stable

* Euro area (Euro currency) members; positive rating/outlook changes (in previous week) in green, negative changes in red
Source: rating agencies websites

Main macro data & forecasts*

Country	Year*	GDP, % avg. yoy	CPI, % avg. yoy	Unem- ployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export **, % GDP	C/A, % GDP	Ext. Debt, % GDP	FXR**** ext. debt	Import cover, months
Croatia	2016	2.9	-1.1	13.1	1029	-1.5	84.2	23.1	2.6	91.5	32.4	9.1
	2017e	3.3	1.9	12.2	1056	-1.9	82.6	23.7	2.5	85.0	33.5	8.9
	2018f	2.8	1.6	11.2	1074	-2.0	80.6	23.5	2.2	83.3	33.4	8.9
Czech Republic	2016	2.3	0.7	5.5	1020	0.0	37.9	70.3	1.1	73.2	63.8	8.4
	2017e	2.7	2.4	5.3	1088	-0.2	36.8	69.1	1.1	76.2	85.7	12.0
	2018f	2.5	1.5	5.3	1176	0.0	35.8	69.6	1.2	74.0	80.9	10.9
Hungary	2016	2.0	0.3	5.3	847	-2.0	73.9	82.8	3.5	98.3	22.2	3.5
	2017e	3.2	3.3	4.0	939	-2.5	73.2	81.4	3.2	89.1	22.2	3.2
	2018f	3.4	3.0	3.6	1010	-3.0	72.4	81.2	3.0	83.5	20.3	2.8
Poland	2016	2.8	-0.6	9.0	928	-2.6	52.8	41.5	-0.5	74.4	34.3	7.4
	2017e	3.3	1.9	8.3	981	-3.0	53.2	40.7	-0.8	74.8	32.6	7.2
	2018f	3.0	2.2	8.2	1040	-3.2	53.7	39.2	-1.0	74.2	31.1	6.9
Romania	2016	4.8	-1.5	6.0	642	-2.6	37.6	30.8	-2.4	54.7	41.0	7.4
	2017e	4.2	0.9	5.4	713	-3.6	38.7	31.1	-3.6	53.0	40.0	6.8
	2018f	3.5	2.9	5.1	760	-3.8	40.1	32.1	-3.8	52.8	38.3	6.2
Russia	2016	-0.2	7.1	5.5	495	-3.7	13.5	22.2	1.7	39.1	79.1	25.2
	2017e	1.0	4.7	5.3	628	-2.6	14.0	23.0	4.9	30.5	88.5	23.0
	2018f	1.5	4.5	5.3	641	-2.4	14.5	22.8	5.5	26.0	101.4	22.0
Ukraine	2016	2.2	13.9	9.0	n.a.	-3.0	76.5	36.9	-3.7	131.8	13.6	4.8
	2017e	2.0	10.7	9.0	n.a.	-4.0	78.4	35.7	-4.6	124.4	14.9	5.2
	2018f	3.0	7.5	8.5	n.a.	-3.0	73.0	34.6	-3.8	118.2	15.2	5.2
Turkey	2016	2.1	7.8	10.0	n.a.	-1.4	32.0	17.7	-3.8	48.3	27.1	7.0
	2017e	2.0	10.0	10.3	n.a.	-1.5	33.0	18.8	-5.8	56.3	26.4	7.2
	2018f	3.0	8.0	10.0	n.a.	-1.8	32.0	19.7	-5.0	59.2	22.9	6.3

* only for countries included in CEE Weekly, ** Export of goods only, *** FXR - Foreign exchange reserves
Source: Thomson Reuters, National Statistics, RBI/Raiffeisen RESEARCH

Risk notifications and explanations

Warnings:

- Figures on performance refer to the past. Past performance is not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service. This is particularly true in cases when the financial instrument, financial index or securities service has been offered for less than 12 months. In particular, this very short comparison period is not a reliable indicator for future results.
- Performance of a financial instrument, a financial index or a securities service is reduced by commissions, fees and other charges, which depend on the individual circumstances of the investor.
- The return on an investment in a financial instrument, a financial or securities service can rise or fall due to exchange rate fluctuations.
- Forecasts of future performance are based purely on estimates and assumptions. Actual future performance may deviate from the forecast. Consequently, forecasts are not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service.

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Detailed information on recommendations concerning financial instruments or issuers disseminated during a period of 12 month prior to this publication (acc. to Art. 4 (1) i) Commission Delegated Regulation (EU) 2016/958 of 9.3.2016) is available under: https://raiffeisenresearch.com/web/rbi-research-portal/recommendation_history

Bonds

Distribution of short term recommendations (preceding 3 months prior to this publication)

Recommendation	Basis: all analysed Government bonds
Buy	14%
Hold	64%
Sell	22%
Not rated	0%

History of short term recommendations (preceding 12 months prior to this publication)

Date	10Y Czech Rep.	10Y Hungary	10Y Poland	10Y Romania	10Y Russia	10Y Turkey
24/03/2017	Buy	Hold	Hold	Hold	Hold	Sell
15/03/2017						
24/02/2017			Hold		Sell	
25/01/2017	Hold	Buy	Buy	Hold	Hold	Hold
24/01/2017						
15/12/2016	Hold	Buy	Buy	Hold	Hold	Sell
28/11/2016						
24/11/2016					Hold	
21/10/2016						
26/09/2016						
23/09/2016	Hold	Hold	Hold	Hold	Buy	Sell
26/08/2016						
25/08/2016	Hold	Buy	Hold	Hold	Buy	Sell
29/07/2016	Hold	Buy	Hold	Hold	Buy	Sell
21/07/2016						Sell
20/06/2016	Hold	Buy	Hold	Hold	Buy	Buy
31/05/2016	Hold	Buy	Hold	Hold	Buy	Buy
13/05/2016						
26/04/2016	Hold	Buy	Hold	Hold	Hold	Hold
20/04/2016						

Date	2Y Czech. Rep.	2Y Poland	2Y Russia	2Y Turkey	BG EUROBOND EUR	BY EUROBOND USD
24/03/2017	Hold	Hold	Hold	Hold		
15/03/2017						
24/02/2017			Sell			
25/01/2017	Hold	Hold	Hold	Hold		
24/01/2017						Hold
15/12/2016	Hold	Hold	Buy	Sell		
28/11/2016					Hold	
24/11/2016			Hold			
21/10/2016						Sell
26/09/2016					Buy	
23/09/2016	Hold	Hold	Buy	Sell		
26/08/2016						
25/08/2016	Hold	Hold	Buy	Sell		
29/07/2016	Hold	Hold	Buy	Sell	Hold	
21/07/2016				Sell		
20/06/2016	Hold	Hold	Buy	Buy	Buy	Hold
31/05/2016	Hold	Hold	Buy	Buy		
13/05/2016					Hold	Hold
26/04/2016	Hold	Hold	Hold	Hold	Hold	Hold
20/04/2016					Buy	Hold

Date	CZ EUROBOND EUR	HR EUROBOND EUR	HR EUROBOND USD	HU EUROBOND EUR	HU EUROBOND USD	KZ EUROBOND USD
24/03/2017						
15/03/2017						
24/02/2017		Buy				
25/01/2017						
24/01/2017						Hold
15/12/2016			Hold			
28/11/2016		Hold				Buy
24/11/2016						
21/10/2016						
26/09/2016		Buy	Sell			
23/09/2016						
26/08/2016						Hold
25/08/2016						
29/07/2016				Hold	Hold	Buy
21/07/2016						
20/06/2016	Hold	Sell	Sell	Buy	Buy	Hold
31/05/2016						
13/05/2016	Hold	Hold	Hold	Hold	Hold	Hold
26/04/2016	Hold	Hold	Hold	Hold	Hold	Hold
20/04/2016	Hold	Hold	Hold	Hold	Hold	Buy

Date	LT EUROBOND EUR	LT EUROBOND USD	PL EUROBOND EUR	PL EUROBOND USD	RO EUROBOND EUR	RO EUROBOND USD
24/03/2017						
15/03/2017	Hold	Hold			Buy	Buy
24/02/2017						
25/01/2017						
24/01/2017	Buy					
15/12/2016		Buy			Hold	
28/11/2016			Hold		Buy	
24/11/2016						
21/10/2016						
26/09/2016			Buy			
23/09/2016						
26/08/2016						
25/08/2016			Hold	Hold		
29/07/2016					Hold	Hold
21/07/2016						
20/06/2016	Hold	Hold	Sell	Sell	Sell	Sell
31/05/2016						
13/05/2016	Hold	Hold	Sell	Sell	Hold	Hold
26/04/2016	Hold	Hold	Sell	Sell	Hold	Hold
20/04/2016	Buy	Hold	Buy	Hold	Hold	Hold

Date	RS EUROBOND USD	RU EUROBOND EUR	RU EUROBOND USD	SI EUROBOND EUR	SI EUROBOND USD	SK EUROBOND EUR
24/03/2017						
15/03/2017			Hold			
24/02/2017						
25/01/2017						
24/01/2017	Hold					
15/12/2016		Hold				
28/11/2016		Sell	Sell		Hold	
24/11/2016						
21/10/2016						
26/09/2016	Buy					
23/09/2016						
26/08/2016	Hold	Hold	Hold	Hold		Hold
25/08/2016						
29/07/2016		Buy	Buy			Sell
21/07/2016						
20/06/2016	Buy	Hold	Hold	Buy	Buy	Hold
31/05/2016						
13/05/2016	Buy	Hold	Hold	Buy	Buy	Hold
26/04/2016	Buy	Hold	Hold	Buy		Hold
20/04/2016	Hold	Hold	Hold	Buy		Hold

Date	TR EUROBOND EUR	TR EUROBOND USD	UA EUROBOND USD
24/03/2017			
15/03/2017			
24/02/2017			
25/01/2017			
24/01/2017			
15/12/2016			Sell
28/11/2016	Hold	Hold	Hold
24/11/2016			
21/10/2016	Buy	Buy	Buy
26/09/2016	Hold	Hold	
23/09/2016			
26/08/2016			
25/08/2016			
29/07/2016			
21/07/2016	Sell	Sell	
20/06/2016	Buy	Hold	Hold
31/05/2016			
13/05/2016	Hold	Hold	Hold
26/04/2016	Buy	Buy	Hold
20/04/2016	Buy	Buy	Hold

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